

7447

**GRAMBLING BLACK AND GOLD FOUNDATION, INC.**

**FINANCIAL AUDIT  
TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT**

**FOR THE PERIOD JULY 1, 2005  
THROUGH  
JANUARY 31, 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/1/07

**GRAMBLING BLACK AND GOLD FOUNDATION, INC.**

**TABLE OF CONTENTS**

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	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT .....	1
FINANCIAL STATEMENTS:	
Statement of Financial Position as of January 31, 2006 .....	2
Statement of Activities for the Period July 1, 2005 through January 31, 2006 .....	3
Statement of Cash Flows for the Period July 1, 2005 through January 31, 2006 .....	4
NOTES TO THE FINANCIAL STATEMENTS .....	5



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**Grambling Black and Gold Foundation, Inc.**  
Grambling, Louisiana

We have audited the accompanying statement of financial position of **Grambling Black and Gold Foundation, Inc. (the Foundation)** as of January 31, 2006, and the related statements of activities and cash flows for the period July 1, 2005 through January 31, 2006. These financial statements are the responsibility of the **Foundation's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the **Foundation** as of January 31, 2006, and the changes in its net assets and its cash flows for the period July 1, 2005 through January 31, 2006.

*Bruno & Tervalon LLP*  
**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

March 21, 2006

**GRAMBLING BLACK AND GOLD FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JANUARY 31, 2006**

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ASSETS

Cash and cash equivalents (NOTE 2)	\$ 169,406
Receivables (NOTE 4)	<u>686,393</u>
Total assets	<u>\$ 855,799</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 16,753
Due to affiliate (NOTE 5)	<u>50,571</u>
Total liabilities	<u>67,324</u>

Net Assets (NOTE 2):

Unrestricted	759,455
Temporarily Restricted	28,920
Permanently Restricted	<u>100</u>
Total net assets	<u>788,475</u>
Total liabilities and net assets	<u>\$ 855,799</u>

The accompanying notes are an integral part of these financial statements.

**GRAMBLING BLACK AND GOLD FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE PERIOD JULY 1, 2005 THROUGH JANUARY 31, 2006**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>Revenues and other support:</u></b>				
Contributions	\$ 70,493	\$ 4,131	\$ 100	\$ 74,724
Bayou Classic operations (NOTE 7)	880,923	-	-	880,923
Eddie G. Robinson Museum	6,820	12,405	-	19,225
In-kind revenues (NOTE 6)	34,335	-	-	34,335
Other revenues	-	5,564	-	5,564
<b>Total revenues and other support</b>	<b>992,571</b>	<b>22,100</b>	<b>100</b>	<b>1,014,771</b>
<b><u>Expenses</u></b>				
Institutional support	17,421	-	-	17,421
Special events:				
Bayou Classic operations	161,991	-	-	161,991
Eddie G. Robinson Museum	6,820	-	-	6,820
Professional fees	2,100	-	-	2,100
In-kind expenses (NOTE 6)	34,335	-	-	34,335
Other expenses	3,629	-	-	3,629
<b>Total Expenses</b>	<b>226,296</b>	<b>-</b>	<b>-</b>	<b>226,296</b>
<b>Change in net assets</b>	<b>766,275</b>	<b>22,100</b>	<b>100</b>	<b>788,475</b>
<b>Net assets, beginning of period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets, end of period</b>	<b>\$ 766,275</b>	<b>\$ 22,100</b>	<b>\$ 100</b>	<b>\$ 788,475</b>

The accompanying notes are an integral part of these financial statements.

**GRAMBLING BLACK AND GOLD FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD JULY 1, 2005 THROUGH JANUARY 31, 2006**

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**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in Net Assets:	\$ 788,475
Adjustments to reconcile increase in net assets to net cash provided by operations:	
Increase in receivables	(686,393)
Increase in accounts payables	16,753
Increase in due to affiliate	<u>50,571</u>
Net cash provided by operating activities	<u>169,406</u>
Net increase in cash and cash equivalents	169,406
Cash and cash equivalents, beginning of period	<u>-0-</u>
Cash and cash equivalents, end of period	\$ <u>169,406</u>
Supplemental Disclosure:	
Interest paid in cash	\$ <u>-0-</u>

The accompanying notes are an integral part of these financial statements.

**GRAMBLING BLACK AND GOLD FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 - Organization and Purpose:**

The Grambling Black & Gold Foundation, Inc. (the Foundation) was organized on April 28, 2005 to solicit, receive, hold, invest and transfer funds for the benefit of Grambling State University (the University). Additionally, the Foundation assists the University in meeting the criteria for accreditation as outlined by the Commission on Colleges for the Southern Association of Colleges and Schools. The Foundation has also entered into a management agreement with the University to manage the programs related to endowed chairs and professorships. This agreement is in compliance with Board of Regents policy and allows the Foundation to manage funds on behalf of the University. The Foundation is a separate legal entity and not included as part of the reporting entity of the University.

**NOTE 2 - Summary of Significant Accounting Policies:**

**Principles of Accounting**

The financial statements are prepared in accordance with generally accepted accounting principles and are prepared on the accrual basis. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Basis of Reporting**

SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories (i.e. unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) according to externally (donor) imposed restrictions.

**GRAMBLING BLACK AND GOLD FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 2 - Summary of Significant Accounting Policies, Continued:**

**Basis of Reporting, Continued**

A description of the three (3) net asset categories is as follows:

- Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of the Foundation are included in this category. The Foundation has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of the Foundation, and therefore, the Foundation's policy is to record these net assets as unrestricted.
- Temporarily restricted net assets include realized gains and losses, investment income and gifts and contributions for which donor imposed restrictions have not been met.
- Permanently restricted net assets are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor imposed restrictions.

**Cash Equivalents**

For purposes of the Statement of Cash flows, the Foundation considers all investment purchases with a maturity of three (3) months or less to be cash equivalents.

**Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

**GRAMBLING BLACK AND GOLD FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 2 - Summary of Significant Accounting Policies, Continued:**

**Basis of Reporting, Continued**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

**NOTE 3 - Income Taxes:**

The Foundation was created on April 28, 2005 by a filing with the Louisiana Secretary of State Office. The Foundation is seeking exemption from federal income taxes under Section 509(a)(1) and 170(b)(1)(A)(iv) of the Internal Revenue Code (IRC) as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made; however, should the Foundation engage in activities unrelated to its exempt purpose, taxable income could result. The Foundation had no unrelated business income for the periods ended January 31, 2006. The Foundation has established a fiscal year end of June 30.

**NOTE 4 - Receivables:**

Receivables consist of amounts due from third parties for 2005 Bayou Classic Related activities. Amounts consist of sponsorship, Battle of the Bands proceeds and Bayou Classic suite and game ticket sales. The total amounts due from third parties for Bayou Classic related events totaled \$686,393 at January 31, 2006.

**GRAMBLING BLACK AND GOLD FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 5 - Due to Affiliate:**

Due to affiliate represents amounts due to Grambling State University for athletic ticket purchases. The total amount due to the University as of January 31, 2006 totaled \$50,571.

**NOTE 6 - In-Kind Revenues/Expenses:**

Grambling State University provides to the Foundation, without cost, services for the administration of the Foundation in the form of personnel costs, rent, utilities, and the use of office equipment. These services are valued at their actual cost to Grambling State University. For the period ended January 31, 2006, contributed personnel costs and operating services were determined to be \$30,835 and \$3,500, respectively. The amounts for these services have been reflected as contributed services revenue and corresponding institutional support and fundraising expenses in the accompanying financial statements.

Various other services and facilities are contributed to the Foundation, the values of which are not readily determinable and, therefore, are not reflected as contributions or expenses in the accompanying financial statements.

**NOTE 7 - Bayou Classic Operations:**

The Foundation has entered into an agreement with Grambling State University to jointly manage the Bayou Classic and all ancillary events with the Southern University System Foundation. During the year, the Grambling State University Alumni Association transferred \$194,530 to the Foundation which represented a portion of the proceeds from the 2004 Bayou Classic. The settlement of the 2005 Bayou Classic has not been finalized, however based on preliminary settlement reports, the amounts due from the third party manager of the Bayou Classic totaled \$686,393 at January 31, 2006. The total amount realized from Bayou Classic operations totaled \$880,923 at January 31, 2006.



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## **INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**

To the Board of Directors  
**Grambling Black and Gold Foundation, Inc.**  
**(A Not-for-Profit Organization)**  
Grambling, Louisiana

We have audited the financial statements of the **Grambling Black and Gold Foundation, Inc. (the Foundation)** for the period July 1, 2005 through January 31, 2006, and have issued our report thereon dated March 21, 2006.

In planning and performing our audit of the financial statements, we considered the organization's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

During our audit, we became aware of several matters that are opportunities for strengthening internal control and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

This letter does not affect our report dated March 21, 2006 on the financial statements of the **Grambling Black and Gold Foundation, Inc.**

**GRAMBLING BLACK AND GOLD FOUNDATION, INC.**  
**CURRENT YEAR MANAGEMENT LETTER COMMENTS**

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**1. Policies and Procedures**

The Foundation is currently following selected Grambling State University's operating procedures and does not have its own set of written policies and procedures.

We recommend that management of the Foundation develop policies and procedures specific to Foundation operations.

**2. General Ledger**

We noted that Foundation financial transactions are currently being tracked by utilizing a spreadsheet program.

We recommend that a more formalized accounting system be utilized to record Foundation transactions to include a general ledger.

**3. Bank Reconciliations**

The Foundation did not follow the practice of reconciling bank accounts in a timely manner. The bank reconciliations were completed prior to the issuance of this report.

We recommend that management of the Foundation develop procedures which require bank accounts to be reconciled to the general ledger in a timely manner.

**4. Check Signing Authority**

We noted that initially upon the formation of the Foundation, financial management of Grambling State University and the President of Grambling State University had check signing authority on the Foundation's checking account. This practice has since been discontinued and check signing authority has been granted to three (3) board members, none of which are employed by Grambling State University. Two signatures are required on all checks written.

We recommend that management continue the practice of having only board members with check signing authority.

5. **Bayou Classic Activities**

During our review of Bayou Classic activities, we noted that that there are several events held in conjunction with the Bayou Classic football game, whose activities were not initially recorded in the financial statements. These events were managed by a third party, who was contracted to assist with the management of the Bayou Classic events as well as to coordinate the sponsorship efforts. There was also little or no documentation provided to the Foundation regarding these events.

We recommend the following with regard to the Bayou Classic Ancillary Events:

- Procedures be implemented by management that requires all financial transactions of the Bayou Classic be recorded in the accounting records of the Foundation during the months of occurrence;
- Entities managing Bayou Classic events execute contracts with the Foundation outlining all pertinent terms of the contract and reporting responsibilities;
- Management remain updated on all event activities through the process; and
- At the conclusion of the event, entities managing these events be required to submit a report which summarizes all event transactions.

We also recommend that management take immediate steps to implement procedures to ensure that all transactions pertaining to the Bayou Classic are properly tracked and recorded in the general ledger, in a timely manner. All activities should be authorized by the Foundation and the Southern University System Foundation or other authorized representative.

6. **Bayou Classic Settlement**

During our audit of the Foundation, we noted that as of the issuance of this audit report, the final settlement and payout of proceeds for the 2005 Bayou Classic has not been completed and that a preliminary amount due from the third party manager totaled \$686,393.

We recommend that management take immediate steps to work with all parties involved to complete the final settlement of the 2005 Bayou Classic.

7. **Bank Deposits**

During the course of our audit, we noted five checks that were made payable to Grambling State University that were erroneously deposited into the Foundation's bank account. As of January 31, 2006 the amounts associated with the aforementioned checks had been repaid to the University.

We recommend that management of the Foundation and the University coordinate the implementation of policies and procedures that allows for immediate correction of such errors.

This report is intended solely for the information and use of the Board of Directors, and management and is not intended to be and should not be used by anyone other than these specified parties.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with appropriate personnel of the Foundation, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

*Bruno & Tervalon LLP*  
**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

March 21, 2006